

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Township of Pavilion*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2005*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Pavilion, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Pavilion, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Township of Pavilion, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Pavilion, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004.

The budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Pavilion, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

**Board of Trustees  
Township of Pavillion, Michigan  
Page 2**

**Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Pavillion, Michigan, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.**

*Siegfried Crandall P.C.*

**April 26, 2005**

## **BASIC FINANCIAL STATEMENTS**

**Township of Pavilion**  
**STATEMENT OF NET ASSETS**  
*March 31, 2005*

	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 879,368
Receivables (net)	<u>151,606</u>
Total current assets	<u>1,030,974</u>
Noncurrent assets:	
Receivables (net)	799,342
Capital assets (net of accumulated depreciation)	<u>1,153,648</u>
Total noncurrent assets	<u>1,952,990</u>
Total assets	<u>2,983,964</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	58,191
Current portion of long-term obligations	<u>71,489</u>
Total current liabilities	<u>129,680</u>
Noncurrent liabilities:	
Long-term obligations	<u>726,705</u>
Total liabilities	<u>856,385</u>
<b>NET ASSETS</b>	
Invested in capital assets	355,454
Restricted for:	
Public works	422,145
Debt service	948,634
Unrestricted	<u>401,346</u>
Total net assets	<u>\$ 2,127,579</u>

*See notes to financial statements*

**Township of Pavilion**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2005

	<u>Program revenues</u>				<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
<b>Functions/Programs</b>					
Governmental activities:					
Legislative	\$ 8,201	\$ -	\$ -	\$ -	\$ (8,201)
General government	370,209	64,346	-	22,800	(283,063)
Public safety	179,411	58,152	-	49,500	(71,759)
Public works	66,504	141,072	4,821	-	79,389
Community and economic development	13,432	8,039	-	-	(5,393)
Interest on long-term obligations	<u>57,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,833)</u>
Total governmental activities	<u>\$ 695,590</u>	<u>\$ 271,609</u>	<u>\$ 4,821</u>	<u>\$ 72,300</u>	<u>(346,860)</u>
General revenues:					
Taxes					134,026
State grants					388,411
Investment income					67,012
Other					<u>8,515</u>
Total general revenues					<u>597,964</u>
Change in net assets					251,104
Net assets - beginning					<u>1,876,475</u>
Net assets - ending					<u>\$ 2,127,579</u>

See notes to financial statements



**Township of Pavilion**  
**BALANCE SHEET - governmental funds**  
 March 31, 2005

	<u>General</u>	<u>Sewer</u>	<u>Indian/ Pickeral Debt</u>
<b>ASSETS</b>			
Cash	\$ 228,193	\$ 361,463	\$ 4,601
Receivables	<u>75,406</u>	<u>35,443</u>	<u>405,346</u>
Total assets	<u>\$ 303,599</u>	<u>\$ 396,906</u>	<u>\$ 409,947</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables	\$ 41,087	\$ -	\$ 9,904
Deferred revenue	<u>-</u>	<u>34,907</u>	<u>400,043</u>
Total liabilities	<u>41,087</u>	<u>34,907</u>	<u>409,947</u>
Fund balances:			
Unreserved	262,512	361,999	
Unreserved; reported in nonmajor: Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>262,512</u>	<u>361,999</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 303,599</u>	<u>\$ 396,906</u>	<u>\$ 409,947</u>

Amounts reported for *governmental activities* in the statement of net assets (page 6) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.

Net assets of *governmental activities*

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<b><u>Northwest Water Debt</u></b>	<b><u>Other nonmajor governmental funds</u></b>	<b><u>Total governmental funds</u></b>
\$ 127,202	\$ 157,909	\$ 879,368
<u>427,289</u>	<u>7,464</u>	<u>950,948</u>
<u>\$ 554,491</u>	<u>\$ 165,373</u>	<u>\$ 1,830,316</u>

\$ -	\$ -	\$ 50,991
<u>424,020</u>	<u>5,166</u>	<u>864,136</u>
<u>424,020</u>	<u>5,166</u>	<u>915,127</u>

130,471		754,982
<u>-</u>	<u>160,207</u>	<u>160,207</u>
<u>130,471</u>	<u>160,207</u>	<u>915,189</u>

<u>\$ 554,491</u>	<u>\$ 165,373</u>
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1,153,648

864,136

(798,194)

(7,200)

\$ 2,127,579

See notes to financial statements

**Township of Pavilion**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds**

Year ended March 31, 2005

	<u>General</u>	<u>Sewer</u>	<u>Indian/ Pickeral Debt</u>	<u>Northwest Water Debt</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>						
Taxes	\$ 187,119	\$ -	\$ -	\$ -	\$ -	\$ 187,119
Licenses and permits	58,946	-	-	-	-	58,946
Federal grants	49,500	-	-	-	-	49,500
State grants	416,032	-	-	-	-	416,032
Charges for services	30,593	-	-	-	-	30,593
Interest and rentals	4,012	9,110	24,521	30,067	1,802	69,512
Other	10,554	74,334	62,635	100,825	28,771	277,119
Total revenues	<u>756,756</u>	<u>83,444</u>	<u>87,156</u>	<u>130,892</u>	<u>30,573</u>	<u>1,088,821</u>
<b>EXPENDITURES</b>						
Legislative	8,201	-	-	-	-	8,201
General government	353,122	-	-	-	-	353,122
Public safety	142,801	-	-	-	-	142,801
Public works	88,055	385,743	-	-	23,657	497,455
Community and economic development	13,432	-	-	-	-	13,432
Capital outlay	90,999	-	-	-	-	90,999
Debt service:						
Principal	62,451	-	62,635	150,000	-	275,086
Interest	2,959	-	24,521	23,153	-	50,633
Total expenditures	<u>762,020</u>	<u>385,743</u>	<u>87,156</u>	<u>173,153</u>	<u>23,657</u>	<u>1,431,729</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(5,264)</u>	<u>(302,299)</u>	<u>-</u>	<u>(42,261)</u>	<u>6,916</u>	<u>(342,908)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	28,071	20,000	48,071
Transfers out	-	-	-	-	(48,071)	(48,071)
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,071</u>	<u>(28,071)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(5,264)</u>	<u>(302,299)</u>	<u>-</u>	<u>(14,190)</u>	<u>(21,155)</u>	<u>(342,908)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>267,776</u>	<u>664,298</u>	<u>-</u>	<u>144,661</u>	<u>181,362</u>	<u>1,258,097</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 262,512</u>	<u>\$361,999</u>	<u>\$ -</u>	<u>\$ 130,471</u>	<u>\$ 160,207</u>	<u>\$ 915,189</u>

See notes to financial statements

***Township of Pavilion***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds***

*Year ended March 31, 2005*

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	<u><b>Total governmental funds</b></u>
Net change in fund balances - total governmental funds	\$ (342,908)
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$530,687) exceeded depreciation (\$62,434) in the current period.	468,253
Collections on long-term receivables provide current financial resources to the governmental funds, but the collections reduce receivables in the statement of net assets.	(142,127)
Repayment of contract principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	275,086
Interest expense is recorded when incurred in the statement of activities.	<u>(7,200)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 251,104</u>

*See notes to financial statements*

***Township of Pavilion***

**STATEMENT OF FIDUCIARY NET ASSETS - *agency funds***

*March 31, 2005*

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**ASSETS**

Cash	\$ <u>388</u>
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**LIABILITIES**

Payables	\$ <u>388</u>
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*See notes to financial statements*

**Township of Pavilion**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Pavilion, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Township of Pavilion**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Sewer Fund accounts for the financial resources used for the expansion and maintenance of sewer lines within the Township. Revenues are primarily derived from connection fees and special assessments.

The Indian/Pickeral Debt Fund accounts for the financial resources used for payments of long-term contractual obligations to the South County Sewer and Water Authority. Revenues are primarily derived from special assessments.

The Northwest Water Debt Fund accounts for the financial resources used for payments of long-term bond obligations. Revenues are primarily derived from special assessments.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

**Township of Pavilion**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	3 - 5 years
Vehicles	3 - 20 years
Infrastructure	40 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

The 2004 taxable valuation of the Township totaled \$154,235,336, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	0.8551	Operating	\$ 131,907

Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.



**Township of Pavilion**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variations in the current period.

**NOTE 3 - CASH:**

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 879,368	\$ 388	\$ 879,756

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township has deposits with a carrying amount of \$879,756 and a bank balance of \$928,143. Of the bank balance, \$430,574 is covered by federal depository insurance and \$497,569 is uninsured.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 7,174	\$ 8,386	\$ -	\$ 59,846	\$ 75,406
Sewer	-	-	35,443	-	35,443
Indian/Pickeral	-	-	405,346	-	405,346
Northwest Water	-	-	427,289	-	427,289
Other governmental	-	-	7,464	-	7,464
Totals	\$ 7,174	\$ 8,386	\$ 875,542	\$ 59,846	\$ 950,948
Noncurrent portion	\$ -	\$ -	\$ 799,342	\$ -	\$ 799,342

All receivables are considered fully collectible.

**Township of Pavilion**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 68,509	\$ -	\$ -	\$ 68,509
Capital assets being depreciated:				
Buildings and improvements	444,702	37,629	-	482,331
Equipment	167,569	51,057	-	218,626
Vehicles	434,815	-	-	434,815
Infrastructure	-	442,001	-	442,001
Subtotal	<u>1,047,086</u>	<u>530,687</u>	<u>-</u>	<u>1,577,773</u>
Less accumulated depreciation for:				
Buildings and improvements	153,694	12,879	-	166,573
Equipment	112,036	17,073	-	129,109
Vehicles	164,470	21,432	-	185,902
Infrastructure	-	11,050	-	11,050
Subtotal	<u>430,200</u>	<u>62,434</u>	<u>-</u>	<u>492,634</u>
Total capital assets being depreciated (net)	<u>616,886</u>	<u>468,253</u>	<u>-</u>	<u>1,085,139</u>
Governmental activities capital assets, net	<u>\$ 685,395</u>	<u>\$ 468,253</u>	<u>\$ -</u>	<u>\$ 1,153,648</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 17,087
Public safety	34,297
Public works	<u>11,050</u>
	<u>\$ 62,434</u>

**Township of Pavilion**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - NONCURRENT LIABILITIES:**

Long-term debt at March 31, 2005, is comprised of the following individual issues:

*Contract payable:*

The Township has agreed to remit to the South County Sewer and Water Authority all principal and interest collections arising from special assessments levied on Township properties served by the Authority. In the event that the Authority is unable to meet its debt service requirements, an assessment may be made against the Township of Pavilion and a neighboring township. The Township has pledged its full faith and credit for the payment of its share (26.56%) of any such deficiency.

\$400,042

*Equipment purchase agreement:*

\$150,000 2001 equipment purchase agreement due in semi-annual installments of \$20,256, including interest at 3.5%. Final payment is due October 2005.

38,152

*Bonds payable:*

\$555,000 2002 special assessment bonds due in annual installments of \$5,000 to \$40,000 starting June 2003, through June 2017, plus interest at 4.9%.

360,000

\$798,194

Long-term debt activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Contract payable	\$ 462,677	\$ -	\$ (62,635)	\$ 400,042	\$ 33,337
Purchase agreement	76,296	-	(38,144)	38,152	38,152
Commercial loan	24,307	-	(24,307)	-	-
Bonds payable	<u>510,000</u>	<u>-</u>	<u>(150,000)</u>	<u>360,000</u>	<u>-</u>
Total governmental activities	<u>\$ 1,073,280</u>	<u>\$ -</u>	<u>\$ (275,086)</u>	<u>\$ 798,194</u>	<u>\$ 71,489</u>

**Township of Pavilion**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - NONCURRENT LIABILITIES (Continued):**

At March 31, 2005, debt service requirements on long-term debt are follows:

<u>March 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 71,489	\$ 37,642
2007	33,337	35,975
2008	33,337	34,309
2009	33,337	32,642
2010	73,337	29,995
2011 - 2015	366,685	95,571
2016 - 2018	<u>186,672</u>	<u>13,821</u>
Totals	<u>\$ 798,194</u>	<u>\$ 279,955</u>

**NOTE 7 - PAYABLES:**

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Interest</u>	<u>Totals</u>
General	\$ 41,087	\$ -	\$ 1,300	\$ 42,387
Indian/Pickeral	-	9,904	-	9,904
Northwest Water Debt	-	-	5,900	5,900
Totals	<u>\$ 41,087</u>	<u>\$ 9,904</u>	<u>\$ 7,200</u>	<u>\$ 58,191</u>

**NOTE 8 - DEFERRED REVENUE:**

Governmental funds report deferred revenues in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Unavailable</u>
Sewer	\$ 34,907
Indian/Pickeral	400,043
Northwest Water Debt	424,020
Other nonmajor governmental	<u>5,166</u>
Totals	<u>\$ 864,136</u>

**Township of Pavilion**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

A summary of interfund transfers for the year ended March 31, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Northwest Water Debt	\$ 28,071	Nonmajor governmental	\$ 28,071
Nonmajor governmental	<u>20,000</u>	Nonmajor governmental	<u>20,000</u>
Totals	<u>\$ 48,071</u>		<u>\$ 48,071</u>

The transfer to the Northwest Water Debt represents a residual transfer of unrestricted revenues remaining in the capital project fund associated with the construction phase completed at year end.

The transfers from the nonmajor governmental funds represent operational support.

**NOTE 10 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2005, is as follows:

Permit revenue	\$ 56,113
Inspections	<u>(56,113)</u>
Excess of revenues over expenses	<u>\$ -</u>

**NOTE 11 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 12- DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for all its elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan State Statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Officials are eligible to participate from the date they are elected to office. The Township annually contributes 10% of the participant's base salary or \$200, whichever is more, and participants are immediately 100% vested. The Township made the required contributions of \$13,226. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

***Township of Pavilion***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets as previously reported:

General, special revenue, capital project, and debt service funds	\$ 1,258,097
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	685,395
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Special assessments receivable are not available to pay for current period's expenditures and, therefore, are deferred in the funds.	1,006,263
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Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,073,280)</u>
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Net assets, as restated	<u>\$ 1,876,475</u>
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## **REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Pavilion**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 168,000	\$ 168,000	\$ 187,119	\$ 19,119
Licenses and permits	53,000	53,000	58,946	5,946
Federal grant - FEMA	-	49,500	49,500	-
State grants	415,000	415,000	416,032	1,032
Charges for services	28,000	28,000	30,593	2,593
Interest and rentals	8,400	8,400	4,012	(4,388)
Other	11,000	11,000	10,554	(446)
Total revenues	<u>683,400</u>	<u>732,900</u>	<u>756,756</u>	<u>23,856</u>
<b>EXPENDITURES</b>				
Legislative	<u>12,200</u>	<u>12,200</u>	<u>8,201</u>	<u>3,999</u>
General government:				
Supervisor	44,108	44,108	44,202	(94)
Election	36,500	36,500	7,920	28,580
Assessor	46,418	46,418	45,789	629
Clerk	38,266	38,266	37,846	420
Board of review	3,160	3,160	1,457	1,703
Treasurer	54,755	54,755	53,190	1,565
Hall and grounds	57,200	60,700	63,000	(2,300)
Cemetery	19,000	19,000	18,602	398
Other	80,200	87,200	81,116	6,084
Total general government	<u>379,607</u>	<u>390,107</u>	<u>353,122</u>	<u>36,985</u>
Public safety:				
Fire protection	89,500	91,600	86,688	4,912
Building inspections	<u>50,300</u>	<u>50,300</u>	<u>56,113</u>	<u>(5,813)</u>
Total public safety	<u>139,800</u>	<u>141,900</u>	<u>142,801</u>	<u>(901)</u>
Public works:				
Highways and streets	58,500	60,500	60,359	141
Street lights	1,400	1,400	1,236	164
Collection station	24,765	24,765	21,460	3,305
Drains	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total public works	<u>84,665</u>	<u>91,665</u>	<u>88,055</u>	<u>3,610</u>



**Township of Pavilion**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	<u>\$ 16,125</u>	<u>\$ 16,125</u>	<u>\$ 13,432</u>	<u>\$ 2,693</u>
Capital outlay	<u>68,100</u>	<u>114,100</u>	<u>90,999</u>	<u>23,101</u>
Debt service - principal	<u>62,128</u>	<u>62,528</u>	<u>62,451</u>	<u>77</u>
Debt service - interest	<u>4,645</u>	<u>4,245</u>	<u>2,959</u>	<u>1,286</u>
Total expenditures	<u>767,270</u>	<u>832,870</u>	<u>762,020</u>	<u>70,850</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(83,870)</u>	<u>(99,970)</u>	<u>(5,264)</u>	<u>94,706</u>
<b>FUND BALANCES - BEGINNING</b>	<u>267,776</u>	<u>267,776</u>	<u>267,776</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 183,906</u>	<u>\$ 167,806</u>	<u>\$ 262,512</u>	<u>\$ 94,706</u>

*Township of Pavilion*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL - Sewer Fund**

*Year ended March 31, 2005*

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	<u><i>Original budget</i></u>	<u><i>Amended budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
<b>REVENUES</b>				
Interest	\$ 9,200	\$ 9,200	\$ 9,110	\$ (90)
Other - special assessments	<u>419,500</u>	<u>419,500</u>	<u>74,334</u>	<u>(345,166)</u>
Total revenues	<u>428,700</u>	<u>428,700</u>	<u>83,444</u>	<u>(345,256)</u>
<b>EXPENDITURES</b>				
Public works	<u>428,700</u>	<u>428,700</u>	<u>385,743</u>	<u>42,957</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(302,299)	(302,299)
<b>FUND BALANCES - BEGINNING</b>	<u>664,298</u>	<u>664,298</u>	<u>664,298</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 664,298</u>	<u>\$ 664,298</u>	<u>\$ 361,999</u>	<u>\$ (302,299)</u>

## **SUPPLEMENTARY INFORMATION**

**Township of Pavilion**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
December 31, 2005

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	<i>Special revenue funds</i>		
	<i><u>Revolving Improvement</u></i>	<i><u>Lakeview/Coles Landing Road</u></i>	<i><u>Street Lighting #1</u></i>
<b>ASSETS</b>			
Cash	\$ 140,134	\$ 3,183	\$ 2,575
Receivables	<u>-</u>	<u>363</u>	<u>286</u>
Total assets	<u>\$ 140,134</u>	<u>\$ 3,546</u>	<u>\$ 2,861</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue	\$ -	\$ -	\$ -
Fund balance:			
Unreserved, undesignated	<u>140,134</u>	<u>3,546</u>	<u>2,861</u>
Total liabilities and fund balances	<u>\$ 140,134</u>	<u>\$ 3,546</u>	<u>\$ 2,861</u>

<i>Special revenue funds</i>				<i>Capital Project</i>	
<i>Street Lighting #2</i>	<i>Weed Control</i>	<i>Water</i>	<i>Tobey Road</i>	<i>Northwest Water</i>	<i>Totals</i>
\$ 1,211	\$ 4,043	\$ 5,643	\$ 1,120	\$ -	\$ 157,909
35	925	-	5,855	-	7,464
<u>\$ 1,246</u>	<u>\$ 4,968</u>	<u>\$ 5,643</u>	<u>\$ 6,975</u>	<u>\$ -</u>	<u>\$ 165,373</u>
\$ -	\$ -	\$ -	\$ 5,166	\$ -	\$ 5,166
<u>1,246</u>	<u>4,968</u>	<u>5,643</u>	<u>1,809</u>	<u>-</u>	<u>160,207</u>
<u>\$ 1,246</u>	<u>\$ 4,968</u>	<u>\$ 5,643</u>	<u>\$ 6,975</u>	<u>\$ -</u>	<u>\$ 165,373</u>

**Township of Pavilion****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2005

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	<b>Special revenue funds</b>		
	<b><u>Revolving Improvement</u></b>	<b><u>Lakeview/Coles Landing Road</u></b>	<b><u>Street Lighting #1</u></b>
<b>REVENUES</b>			
Interest	\$ 1,633	\$ -	\$ -
Other - special assessments	-	5,000	4,131
	<u>1,633</u>	<u>5,000</u>	<u>4,131</u>
Total revenues	<u>1,633</u>	<u>5,000</u>	<u>4,131</u>
<b>EXPENDITURES</b>			
Public works	-	750	3,520
	<u>-</u>	<u>750</u>	<u>3,520</u>
Excess (deficiency) of revenue over expenditures	<u>1,633</u>	<u>4,250</u>	<u>611</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	13,000	-	-
Transfers out	(7,000)	(2,000)	-
	<u>6,000</u>	<u>(2,000)</u>	<u>-</u>
Total other sources (uses)	<u>6,000</u>	<u>(2,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>7,633</u>	<u>2,250</u>	<u>611</u>
<b>FUND BALANCES - BEGINNING</b>	<u>132,501</u>	<u>1,296</u>	<u>2,250</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 140,134</u>	<u>\$ 3,546</u>	<u>\$ 2,861</u>

<i>Special revenue funds</i>				<i>Capital project fund</i>	<i>Totals</i>
<i>Street Lighting #2</i>	<i>Weed Control</i>	<i>Water</i>	<i>Tobey Road</i>	<i>Northwest Water</i>	
\$ -	\$ -	\$ -	\$ -	\$ 169	\$ 1,802
3,150	11,840	-	4,650	-	28,771
3,150	11,840	-	4,650	169	30,573
1,522	4,792	-	9,841	3,232	23,657
1,628	7,048	-	(5,191)	(3,063)	6,916
-	-	-	7,000	-	20,000
(1,000)	(10,000)	-	-	(28,071)	(48,071)
(1,000)	(10,000)	-	7,000	(28,071)	(28,071)
628	(2,952)	-	1,809	(31,134)	(21,155)
618	7,920	5,643	-	31,134	181,362
\$ 1,246	\$ 4,968	\$ 5,643	\$ 1,809	\$ -	\$ 160,207